

COMMISSIONERS

Robert "Bob" Burns - Chairman
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Sandra D. Kennedy
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Lea Márquez Peterson



LEA MÁRQUEZ PETERSON
COMMISSIONER

(602) 542-3625 desk
(602) 463-3814 text
LMarquezPeterson-Web@azcc.gov

ARIZONA CORPORATION COMMISSION
OFFICE OF COMMISSIONER LEA MÁRQUEZ PETERSON

April 29, 2020

Re: Commission Establishment of a Process to Track the Financial Impacts of COVID-19 on Regulated Utilities and Utility Customers in Arizona (Docket No. AU-00000A-20-0094)

Dear Chairman Burns, Commissioners, and Stakeholders,

As Arizona approaches its 5th week in isolation, we recognize the financial hardships Arizona's residential utility customers and small businesses are facing throughout the state, as unemployment rates rise, personal incomes fall, and monthly bills compound.

At the same time, we as public utility regulators recognize that basic utility services, such as providing safe and reliable drinking water and electricity to our healthcare facilities and workers on the front line, are, themselves, also "essential services."

The utility workers and journeymen that get out of bed every morning and clock-in every shift to keep our power plants running and water treatment plants operational are "essential workers." Now, more than ever before, we are reminded that each whole or partial payment we make to our utility service providers is a contribution to the fight against COVID-19, and to the collective fight to keep our economy going, because they help to keep these essential workers employed and their families safe during this unprecedented time. I thank them for their service.

The financial challenges Arizona's utility customers are facing cannot be underscored enough. That is why on April 20, 2020, I issued a [public service announcement](#) letting customers know that resources are available and that they should contact their utility service providers as soon as possible, before bills are due, so financial burdens don't build and become too unmanageable after payments have been missed. "Ignoring bills will only increase the financial stress in the end and increase the struggle families will face as they work to make it through these challenging times," I said.

The breadth of financial difficulties our regulated utilities and customers will ultimately face is still vastly unknown to the Commission. That is why, on April 24, 2020, following our staff open meeting, we opened this docket to provide the necessary forum for discussing and tracking all the potential variables that could go into understanding the financial impact of COVID-19 on our utility customers.

As customers continue to make partial payments, and continue to receive power and water regardless of how large their arrearages may be, we have signs that suggest less money may be flowing into the overall system than is flowing out. We know, for example, that many customers are still struggling with rate plans that not all customers like or understand. And, we know that essential utility workers are continuing to show up to work to keep our water and power flowing despite hundreds of businesses and other commercial operations that have been shut down.



My fellow Commissioners' and stakeholders' participation in this docket and concern for Arizona's customers will help us as we work together to evaluate the financial implications that continue to be realized. As Arizona PIRG Education Fund and the Southwest Energy Efficiency Project (SWEET) stated [on April 24, 2020](#), "Unfortunately, the extent of this crisis is still not fully understood and we do not know how bad it will become or how long it will last."

In addition to the topics I called for in my [April 24th letter](#), I would like Arizona's largest Class A electric utilities to be prepared to address the financial impacts as they relate to overall residential energy consumption and rate plan selections during this time—as I believe the Commission must provide a public forum for stakeholders to debate this issue in the context of COVID-19.

In having this discussion, the Commission must consider both the immediate financial benefits and drawbacks of various retail electric rate plans, including flat-rate pricing, time-of-use pricing, peak rates, and demand charges, and of switching those plans during COVID-19, as many, if not most, residential customers are now at home during times when they otherwise would not have been at home. As I stated [on April 24, 2020](#), "[D]espite increasing funds to low-income assistance programs, waiving late fees, and temporarily suspending disconnections for nonpayment, many customers are still struggling."

In the last several weeks, my office has noticed an uptick in comments from residential customers who have expressed concerns regarding peak rates and demand charges during COVID-19. I have requested a report from our Consumer Services Section summarizing the calls and complaints the Commission has received regarding this issue since mid-March—and I have also requested a compilation of articles and social media comments that have been published regarding this topic within the same timeframe. Together, I believe these resources will demonstrate that there are outstanding questions and concerns regarding this issue that the Commission needs to address.

I have been a residential ratepayer for much longer than I have been a public utility regulator. While I have never served on the Arizona Corporation Commission at a time when the issue of peak rates or demand charges came before the Commission for a vote, I am sympathetic to customers' concerns regarding peak demand and overall energy use during this time, when customers are at-home due to reasons outside of their control, and children and spouses are working and studying at home, and using more power, from 8-5 p.m.

From my perspective as a residential customer in Tucson, it seems customers' total energy use may be increasing but that overall demand curves may also be flattening. Indeed, I have noticed in my own household that overall consumption patterns have changed.

On one hand, my energy curve has flattened because I can now do laundry and chores at times of the day that were previously unavailable to me, such as in the middle of the day when solar energy production is at its highest. On the other hand, my total energy consumption may have also increased, because I have been working from home along-side my husband and two children, which requires additional electricity to power not only their devices but also my work station as I connect to



Corporation Commission meetings remotely and make decisions of state-wide importance from my home office in Tucson.

While it is true that customers with time-of-use pricing can take advantage of off-peak rates, which are lower than average, customers with time-of-use pricing can also be harmed by on-peak rates, which are higher than average. In addition, customers' total energy consumption may increase in ways that customers have yet to fully realize.

Under the circumstances, I can understand why some customers have found these items confusing, or even penalizing, when using multiple appliances during the same hours in the evening may be more convenient. But, as a small business owner who also understands that choices must sometimes be made that no one wants to make, I understand why incorporating cost alignments and price signals into certain rate options can help some customers keep more of their money in their pockets during these trying times, despite the fact that some customers may find those options to be less convenient. Balancing these perspectives will be an ongoing challenge for the Commission. I recognize that COVID-19 has forced many of us to make changes that none of us wanted to make.

I may not have all the answers, but I am willing to listen and to work with my fellow commissioners to understand whether, during these times, more customers are seeing the benefits of off-peak rates than are seeing the harm from on-peak rates—and how other factors, such as renewable solar production during the day, correspond to peak hours and demand rates in ways that can help or harm customers. If more customers are being harmed, then the Arizona Corporation Commission must identify what the financial impacts are and how our utilities can proactively reduce them.

Exactly how the Commission should address this issue in the ensuing months is unclear, but I believe the first step is to recognize the issue, acknowledge the concerns, and provide a meaningful forum for members of the public, stakeholders, and our Class A utilities to discuss the issues.

Accordingly, I would support a Special Open Meeting to discuss this issue with my fellow commissioners as the Commission proceeds to evaluate the financial impacts of COVID-19 on utilities and their customers. As residential households continue to struggle with the personal financial implications, and monthly bills continue to accrue, I believe having the customers' perspective will be invaluable as Commissioners continue to gather data and evaluate potential options for relief.

Thank you for your consideration,

A handwritten signature in blue ink that reads "Lea Márquez Peterson".

Lea Márquez Peterson
Commissioner

